

Message Text

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SUBJECT: US POSITION ON COMMODITIES AND RELATIONS WITH LDCS

REFS: EC BRUSSELS 4340; EC BRUSSELS 4344; USOECD 12279;
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POLICY

1. WITH THE SECRETARY'S KANSAS CITY SPEECH, THE WILSON INITIATIVE AT KINGSTON, AND THE OECD WORK ON NORTH/SOUTH ISSUES, WE HAVE MADE A USEFUL START TOWARD A CREDIBLE PROGRAM WHICH THE INDUSTRIALIZED COUNTRIES CAN DEVELOP TO CARRY THEM THROUGH THE NEXT YEAR OR TWO OF MEETINGS WITH LDCS. IN ADDITION TO THE PACKAGE IN THE SECRETARY'S SPEECH, I URGE SERIOUS CONSIDERATION OF THE BRITISH PROPOSAL TO BROADEN THE EXISTING EC SCHEME FOR STABILIZATION OF EXPORT EARNINGS FROM COMMODITIES (STABEX).

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2. IN MY VIEW, HMG HAS PROPERLY SINGLED OUT THE NEED FOR

CONCRETE PROPOSALS ON COMMODITIES AS CENTRAL TO A SUCCESSFUL DC PRESENTATION. JUST AS GENERALIZED PREFERENCES WERE THE KEY ISSUE IN THE YEARS BETWEEN UNCTAD I AND UNCTAD II, LDC ATTENTION IS NOW FOCUSED, FOR OBVIOUS REASONS, ON THE COMMODITY QUESTION. THE GROUP OF 77 WILL PROBABLY PERSIST IN PRESSING THE WHOLE RANGE OF THEIR DEMANDS. ON THE BASIS OF PAST EXPERIENCE, ARGUMENTS OVER THE SCOPE OF THE AGENDA, ABOUT CONFINING THE DISCUSSION TO MATTERS RIPE FOR DECISION, OR ESTABLISHING A THREE-TIER APPROACH ARE A WASTE OF TIME AND POLITICAL CAPITAL, EXCEPT IN A NARROW DEFENSIVE CONTEXT. BUT EXPERIENCE HAS ALSO SHOWN THAT A WELL-ORGANIZED DEVELOPED COUNTRY GROUP FORMLY AGREED ON A REASONABLE SET OF PROPOSALS CAN SUCCEED IN AVOIDING THE WORST EXCESSES OF LARGE, CONFRONTATIONAL INTERNATIONAL CONFERENCES.

3. IF WE WERE JUST STARTING THE DC/LDC DIALOGUE, A PLEDGE TO BE MORE SYMPATHETIC TOWARD COMMODITY AGREEMENTS, PLUS THE POSSIBILITY OF NEW RULES AND PROCEDURES IN THE GATT AND NEW INVESTMENT FACILITIES, MIGHT PROVIDE AN ACCEPTABLE BASIS FOR THE OECD POSITION. BUT THE LDCS, RIGHTLY OR WRONGLY, IN LIGHT OF PAST HISTORY, WILL HAVE SERIOUS DOUBTS ABOUT OUR CONVERSATION ON COMMODITY POLICY. FOR THIS REASON, IT SEEMS NECESSARY TO ADD AN ADDITIONAL ELEMENT. THE STABEX APPROACH HAS SEVERAL ADVANTAGES:

A. IT INVOLVES NO INTERFERENCE WITH THE OPERATION OF COMMODITY MARKETS.

B. IT CAN BE LIMITED IN TERMS OF COMMODITIES AND COUNTRIES AND THUS DESIGNED TO HELP THE POOREST OF THE POOR WHO DEPEND ON EXPORTS OF ONE OR A FEW COMMODITIES. (THIS TAILORING WOULD ALSO ALLOW CONTROL OF THE COST--WHICH WOULD CONSTITUTE A MAJOR PROBLEM FOR US IN ANY TRANSFER OF RESOURCES.)

C. IT IS REALLY PROGRAM AID WHICH THE VERY POOR COUNTRIES NEED, BUT IN A COMMODITY CONTEXT.

D. IT WOULD BE AN EXTENSION OF AN OPERATIONAL EUROPEAN SCHEME AND SO HELP SOLIDIFY THE DC FRONT.

E. IT COULD BE USED TO ATTRACT FINANCIAL SUPPORT FROM THE NEWLY RICH COMMODITY PRODUCERS.

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4. OUR POSITIONS ON OTHER ISSUES OF INTEREST TO THE LDCS COMING UP IN THE UN AND OTHER MEETINGS WOULD ALSO HAVE TO BE CLOSELY COORDINATED IN THE OECD. THIS COORDINATION CAN BE LAUNCHED AT THE UPCOMING MINISTERIAL. BUT THE TIMING IS VERY TIGHT AND, UNLESS WE GET THE SUBSTANTIVE BASIS FOR OUR COMMON DC APPROACH IN PLACE SOON, WE WILL BE FACING THE LDCS WHILE WE ARE STILL IN SOME DISARRAY. IN THE BROADER MEETINGS, THE UNITED FRONT WE SUCCESSFULLY FORGED

FOR THE P/C ENERGY PREPCON IS NOT LIKELY TO HOLD UP
WITHOUT A POSITIVE PROGRAM BEHIND WHICH THE OECD COUNTRIES
CAN RALLY. HOWEVER, EVEN WITH AN ENLARGED STABEX SCHEME
ADDED TO OUR OFFER, THE LDCS ARE NOT GOING TO TURN
RATIONAL AND NON-CONFRONTATIONAL OVERNIGHT.
ONCE AGREEMENT IS REACHED IN THE OECD, WE WILL HAVE TO
LAUNCH A CONCERTED EFFORT TO TRY TO GET THE MAXIMUM
UNDERSTANDING FOR OUR POSITION AMONG THE LDCS WHILE
FIRMLY RESISTING THEIR UNACCEPTABLE EXTREME DEMANDS.
ASSIGNMENTS FOR APPROACHING THE LDCS COULD BE SHARED
OUT AMONG THE OECD COUNTRIES ON THE BASIS OF TRADITIONAL
NORTH/SOUTH LINKS. GREENWALD

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